

# JFMIP NEWS

A Newsletter for Government Financial Managers

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## The Executive Branch Management Scorecard

In August 2001, President George W. Bush issued *The President's Management Agenda*, which sets forth his principles and priorities in reforming Federal government. The guiding principles for the President's reform agenda is that Federal government should be citizen-centered rather than bureaucracy centered; results oriented; and market based to actively seek advantages of enhanced innovation, efficiency and effectiveness achieved through competition. The plan includes five government wide goals and nine agency specific goals to improve federal management and deliver results important to the American people. The five governmentwide goals are: strategic management of human capital; competitive sourcing; improved financial performance; expanded electronic government; and budget and

performance integration.

All good managers know that what gets measured gets done. On October 30, OMB Director Mitch Daniels' memorandum to the heads of executive departments and agencies, "Implementation of the

President's Management Agenda and Presentation of the FY 2003 Budget Request,"

formalized the method that will be used to monitor agency progress in achieving the President's Management Agenda. That memo transmitted the Executive Branch Management Scorecard, which was developed in consultation with the President's Management Council.

The scorecard identifies the standards for success in achieving the five cross cutting goals. It employs a simple grading system: green for success, yellow for mixed results, and red for unsatisfactory. Agencies will be graded along two dimensions: (1) current status against standards for success and (2) progress in implementing initiatives that support the President's management

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## Getting to GREEN The President's Management Agenda



Mark W. Everson - Controller of the Office of Federal Financial Management, OMB

## New OMB Controller

Mark W. Everson is the Controller of the Office of Federal Financial Management within the Office of Management and Budget. One of the statutory offices of OMB, the Office of Federal Financial Management provides overall direction and leadership to the executive branch on financial management matters. The sphere of influence of OFFM and the Controller is limited to financial management but extends to all its elements: human, systems, processes, and policies. This portfolio is significant in its own right but is also a central component of the overall management responsibilities of OMB.

Prior to joining the Bush Administration in August 2001, Mr. Everson served as Group Vice President - Finance of SC International Services, Inc., a \$2.2 billion privately owned, Dallas, Texas, based, food services company with leading market positions in both airline catering and home meal solutions. For ten years, from 1988 until

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## A Joint Perspective

### Getting to Green

**A**s we celebrate the New Year, I would like to personally extend an invitation that you join JFMIP at our annual conference that will be held at the Washington Hilton on March 12, 2002. The theme this year is "Getting To Green – The President's Management Agenda". We will have a strong program that will present the



Karen Cleary Alderman  
Executive Director, JFMIP

President's Management Agenda and provide perspectives from key leaders in OMB, GAO, Federal agencies, and the private sector. We will also be honoring this year's Scantlebury Award winners.

In the last two issues of the *JFMIP News*, we have featured articles about the President's Management Agenda. Focus on these strategies is just beginning. On February 4, 2002, the President's budget will be transmitted to Congress. His budget will include the baseline assessment of how agencies fare on the measures for success against the President's Management Agenda. As the Executive Branch Management Scorecard becomes part of the quarterly agency assessment, the visibility of standards for success will increase. So will the pressure for agencies to demonstrate progress. The JFMIP Conference will provide a broad perspective on the executive direction that will impact their operations during the balance of this Administration.

The leadership and structure of the CFO Council committees have transitioned to reflect changes in political leadership and to specifically support the President's Management Agenda. Some of the committees are the same, but with new leadership. Other committees are specifically organized to support cross-cutting management initiatives. The article on page 3 provides highlights about the new structure and leadership. We would like to extend our sincere appreciation to Kathleen McGettigan, outgoing Chair of the Human Resources Committee and to Sky Leshner,

outgoing Chair of the Financial Systems Committee, for making JFMIP a partner with the CFO Council through their respective committees. We look forward to working with the new leadership. JFMIP will continue to work in partnership with the CFO Council, particularly those committees focused on human resources and financial systems and e-government.

#### JFMIP Roles and Goals for FY 2002.

The JFMIP Principals, OMB Director Mitchell Daniels, Comptroller General David M. Walker, Office of Personnel Management Director Kay Coles James, and Treasury Secretary Paul H. O'Neill, followed up their August 13 meeting with another meeting on October 12 to address cross-cutting issues at the highest levels. The issues include defining success in financial management, accelerating financial statement reporting, issues associated with the timing of the issuance of the updated JFMIP *Core Financial System Requirements* document, and having the JFMIP staff conduct a study of government payroll systems. Meetings are planned on a quarterly basis to follow up on these issues. The initiation of regular meetings at the Principal level is indicative of the senior level commitment to jointly address major management issues, and to get buy-in on strategic direction and to make decisions at the highest levels.

The JFMIP performance goals and standards for success are set by our Steering Committee, currently chaired by Jeffrey Steinhoff, Managing Director, Financial Management and Assurance, GAO. Other members are OMB Deputy Controller, Joe Kull; Department of Treasury Fiscal Assistant Secretary Don Hammond; Bill Early, the CFO of the General Services Administration, and Kathy McGettigan, the OPM CFO. We work in partnership with the CFO Council as well as other governmentwide committees. The high quality of our efforts reflects the broad participation of professional staffs from across Federal agencies, as well as high quality contracting support from the Logistics Management Institute (LMI) and KPMG. We also receive exceptional support from the Private Sector Council on selected projects. It is through

these collaborative efforts that JFMIP is able to bring value to the community as a whole. Future projects will continue to evolve as the Principals' agenda is set, and as the President's Management Agenda evolves.

#### Financial Systems Focus

Recently we have accomplished some major milestones. On November 16, 2001 JFMIP published the updated *Core Financial System Requirements* document. This culminates a 9-month review process and will become the basis for JFMIP testing for certificates issued in 2002. On January 8, 2002 JFMIP plans an open house on the updated Core Requirements and testing process. Our website will be updated with additional tools to help both the Federal agencies and the vendor community understand the changes. This document greatly enhances the functional requirements that support performance measurement in the following major categories: 1) establishing performance measurement targets; 2) budgeting for performance measurement targets; 3) allocating funds based on performance measurement targets; 4) funds control and availability; 5) cost management for program measurement and performance measures; and 5) reporting. The reissuance of core requirements and the updated test effort has direct impact on the 20 of the 24 CFO agencies that have replaced systems since 1999 or plan to do so between now and 2006.

The *Acquisition/Financial Management System Interface Requirements* were issued as an exposure draft on November 30, 2001. Comments are due in by the end of February. We wish to thank the team leaders and all the participants from the Financial and Acquisition communities for expertise and good council. The product reflects a true partnership between the Procurement Executive Council and JFMIP.

The Non-Income Tax Revenue System team now led by Jo Cohen, Deputy CFO, U.S. Customs Service, is well underway. We anticipate an exposure draft to be available in late spring. That will leave only Insurance Claims and Budget Formulation to be

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# CFO Council Update

## New Member

The U.S. Chief Financial Officers Council welcomed a new member. Edward McPherson took office on October 5, 2001 as the CFO at the U.S. Department of Agriculture (USDA). Mr. McPherson is responsible for the financial leadership of a department with over 100,000 employees, \$125 billion in assets, and \$65 billion in annual spending. USDA provides \$100 billion of loans as well as significant guarantees and insurance support of America's farmers and ranchers. Prior to being appointed by President Bush, Mr. McPherson was President of IntersolveGroup and has held executive positions with two holding companies, SunAmerican and First RepublicBank Corporation. He has over 30 years experience in leadership, organizational enhancement, business strategy and corporate finance.

## Organization Structure

The CFO Council recently established a new committee structure to mirror the priorities of the President's Management Agenda. The Acting Chair of the Council

is Mark W. Everson, Controller, Office of Management and Budget.

The committee chairs and OMB are developing the committee charters. The members of the CFO Council can be found on the CFO Council website.

The new committees and the chairs are:	
Committee	Chair
Best Practices	Dov Zakheim CFO, Department of Defense
Budget and Performance	Donna McLean, CFO, Department of Transportation
Erroneous Payments	Mark Carney Acting CFO, Department of Education
Financial Asset Management	To be announced
Financial Statement Acceleration	Don Hammond Fiscal Assistant Secretary, Department of the Treasury
Human Capital	Angela Antonelli CFO, Department of Housing and Urban Development
System/E-Government.	Don McCrory DCFO, National Science Foundation

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# Improving IT Security

The Congress, the General Accounting Office (GAO), the Office of Management and Budget (OMB), and Federal agencies themselves essentially all agree that information security must improve in the Federal government to reduce the risk of disruptions to critical operations, and to help prevent data tampering, fraud, and inappropriate disclosure of sensitive information. With information security threats increasing and becoming more complex and sinister, what can individual agencies and the Federal government as a whole do to adequately protect their systems and the infrastructure these systems support from potentially disastrous cyber attacks?

Computer viruses and worms are troublesome and potentially costly to fix. They provide an almost daily reminder that we must safeguard our computer systems and the information they process from cyber attacks. Unfortunately, such threats are only the tip of the iceberg. Everyone from

recreational hackers and disgruntled employees to political hacker groups, terrorists, transnational criminals, intelligence services, and even foreign governments are using information technology to attempt to destroy, intercept, steal, modify, or deny access to data. Experts also agree that there has been a steady advance in the sophistication and effectiveness of attack technology with intruders quickly developing attacks to exploit vulnerabilities discovered in products, using these attacks to compromise computers, and sharing the techniques with other attackers. Further, with the tragedies of September 11, 2001, we were again warned that future attacks could combine both physical and cyber attacks with potentially devastating consequences. These increasing and more sophisticated threats pose significant risks to our computer systems and, more importantly, to the critical operations and infrastructures they support;

e.g., telecommunications, power distribution, public health, law enforcement, government, emergency services, and national defense (including the military's warfighting capability).

GAO's 2001 analysis of information security at major Federal agencies confirmed what it first began reporting in 1996 and has identified as a governmentwide high-risk area since 1997—that poor information security is a widespread federal problem.<sup>1</sup> This latest analysis of GAO and inspector general audit results for 24 of the largest Federal agencies continued to show significant information security weaknesses for all of the agencies and was consistent with initial agency and inspector general reports submitted to OMB in September 2001, as required by the new Government Information Security Reform provisions. Further, in November 2001, the House Government Reform Committee's Subcommittee on Government Efficiency,

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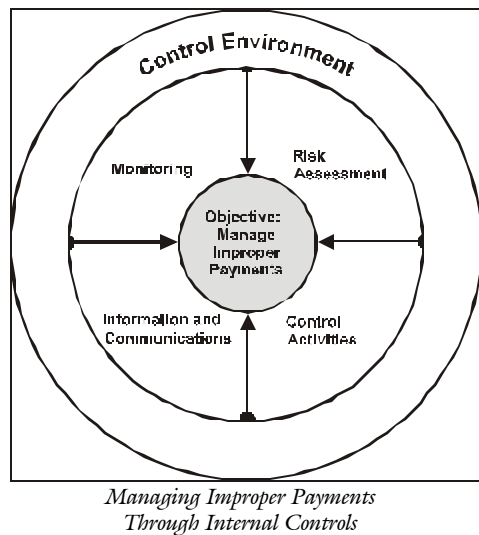


## Public and Private Sector Organizations' Strategies to Manage Financial Improvement

The General Accounting Office (GAO) recently issued an executive guide entitled, *Strategies to Manage Improper Payments: Learning From Public and Private Sector Organizations* (GAO-02-69G, October 2001). The guide highlights actions taken by 12 public and private sector organizations to reduce improper payments, and it provides case illustrations and strategies for federal managers to consider when addressing improper payments in their programs and operations.

Improper payments occur for many reasons, including insufficient oversight or monitoring, inadequate eligibility controls, and automated system deficiencies. In each of the last 3 years, Federal agency financial statements have identified about \$20 billion in improper payments. Despite the significance of this amount, audits and other information have shown that the improper payments problem is much more widespread than indicated in federal financial statements.

The guide emphasizes that the root causes of improper payments can typically be traced to a lack of or breakdown in internal control. It categorizes the actions taken by the study participants into the five components of internal control—control environment, risk assessment, control activities, information and communications, and monitoring—outlined in the Comptroller General's *Standards for Internal Control in the Federal Government* (GAO-AIMD-00-21.3.1, November 1999). Although the guide discusses each of the control areas separately, managing improper payments typically requires continuous interaction between these areas. The following figure represents the interrelationship between the components and efforts to manage improper payments.



### Control Environment

*"Changes made in Texas might not have happened if the legislature hadn't become involved. Regulations should not be seen as roadblocks, but as support or backing to achieve the agencies' mission."*

- Ken Holcomb, Director of Systems Resources, Office of Investigations and Enforcement, Texas Health and Human Services Commission

Top-level officials and legislative bodies create a culture of accountability by establishing a positive and supportive attitude toward improvement and the achievement of established program outcomes. For improper payment initiatives to be successful, setting the tone at the top is critical. Toward this end, the actions of the entities in the study included passing

legislation, setting and maintaining an ethical tone throughout the organization, delegating roles and responsibilities, and implementing human capital initiatives. Without the ongoing strong support of top-level program officials and legislative bodies, the chances for success in implementing the changes needed to address improper payments are slim.

### Risk Assessment

*"Risk is not another thing to manage, but a way of managing."*

- Dr. Helen McKenna, National Manager, Risk and Business Assurance, Centrelink, Australia

A risk assessment entails, first, comprehensively reviewing and analyzing program operations to determine where risks exist and what those risks are and, second, measuring the potential or actual impact of those risks on program operations. One of the biggest hurdles many entities face is overcoming the propensity to deny the problem. It is easy to defer taking

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## New JFMIP Staff Members

*Several new members join the JFMIP staff on rotational developmental assignments*

**W**ayne B. Miller is a contract specialist with the U.S. Department of Energy, assigned to the Yucca Mountain Site Characterization Office in Las Vegas, Nevada. In his current position, he is the primary administrator of a management and operating contract to determine the suitability of Yucca Mountain (about 100 miles northwest of Las Vegas) as a geologic repository for the nation's commercial and defense spent nuclear fuel and high-level radioactive waste.



*Wayne B. Miller*

Wayne is participating in the U.S. Department of Agriculture Graduate School's 2002 Executive Potential Program (EPP) — a 12-month nationwide career enhancement program that offers training and development experiences for high-potential GS 13-15 employees who are moving into managerial positions. Wayne began a 60-day developmental detail with JFMIP on November 26, 2001. His assignments include working on interagency projects to communicate the results of JFMIP financial management system requirements, such as acquisition/financial systems interface requirements and core financial system requirements; working on planning and development of JFMIP communication and outreach strategy, including the JFMIP annual report and JFMIP annual conference; and collecting and analyzing information for best practices in the financial management arena to be posted on JFMIP website.

"Although I find all of the work JFMIP is involved in interesting, I am most excited about the implications of the JFMIP Acquisition/Financial Systems Interface project. When completed, the project is intended to assist agencies when developing new systems and when improving or evaluating existing systems. The interface addresses the shared information requirements between Federal financial and acquisition management systems. One of the collateral benefits I envision from this effort is increased communications and interaction between the two communities (financial and acquisition)".

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## FINANCIAL MANAGEMENT PROFILE

**W**illiam H. Campbell, Deputy Chief Financial Officer at the Department of Veterans Affairs (VA), is a marine engineer by training, but “Financial Management Engineer” by trade. His first degree in marine engineering was just one in a long line of advanced degrees. He has enjoyed a career where he depends upon his educational background as much as his personal experiences. Now, after a significant amount of time in the field of government financial service, he defines himself as a “gardener”. The work of a financial manager is like that of a gardener; real improvement requires constant attention, and the attention needs to be sustained. Gardeners tend to their garden every day to remove pests, water the crops, plant new seeds, and pull out weeds that have sprouted overnight. In order to be fruitful, financial management also requires diligence and perseverance. It is hard work with no quick fixes, and any sustained change requires long-term commitment. This is what attracts Mr. Campbell to government financial management, and the personal character resulting from it is endearing.

Mr. Campbell has performed a number of roles in the public sector, and has completed a number of objectives set before him. He has over 15 years experience working for the United States Coast Guard. While there, he presided over procurement and acquisition transactions, exercising broad authority by making judgments and decisions that committed the agency to significant courses of action. He reduced energy expenses from \$130 Billion to \$103 Billion and became recognized as the Energy Czar. Due in large part to his contributions, the Coast Guard earned a clean audit opinion in 1999. He also served as Senior Selection Officer for Major Acquisitions, and as Senior Procurement Executive. In addition, Mr. Campbell worked on property valuation, including properties acquired prior to 1787. Some of these properties were transacted using Yankee dollars and trinkets. Finally, he was Director for Security and Counterintelligence at the Coast Guard, overseeing a variety of background checks performed by the organization.

By 1999, his success had spread beyond the Coast Guard all the way up to the Department of Transportation. DOT earned a clean audit opinion in 1999. DOT made huge efforts to achieve Y2K compliance, which he believes helped organize financial management systems and resources within the Department in earning a clean audit opinion. To him, clean audit opinions hold more than just material value, the processes required to obtain one stimulate a variety of other maintenance functions with positive implications.

The character and purpose of the VA is different than the Coast Guard – yet he is drawn to both of their core values and mission. The Coast Guard had a budget of \$4 billion and 45,000 employees. In contrast, VA has an annual budget of over \$51 billion and 220,000 employees. Driving for immediate results, he led efforts to insure VA obtained a clean audit opinion for its FY 2000 financial statements. His major tasks in his new position will be to update

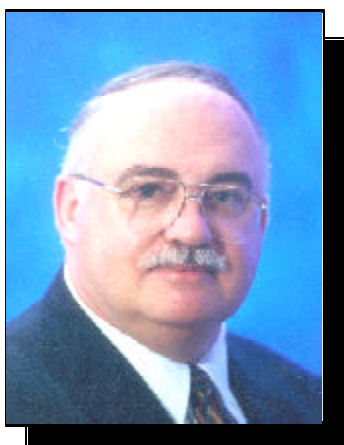
the payroll system and core financial systems used in the Department. These two projects will be as revolutionary as they are challenging. Payroll is in the process of converting its 36-year-old legacy system with HR Link\$. The restructuring of the core financial system will replace over 100 of the existing 258 systems used at the Department, streamlining the functions of acquisition, logistics, budget planning and execution, finance and accounting into one system. He is also responsible for planning, managing, coordinating and overseeing all financial budgetary, acquisition and logistics policies, financial systems and operations. These include operations of the Franchise Fund,

Debt Management Center, Accounting, Travel and Purchase Card operations.

Mr. Campbell and VA face three major challenges in the near future. First, his office must incorporate Information Technology (IT) to a greater extent than ever before. This will require the training of more staff to avoid obstacles in implementing IT solutions. Second, VA needs to rapidly implement commercial off-the-shelf (COTS) systems. (He believes systems can be created which are quick, accurate and cheap – many current models limit agencies in their degree of applicability.) Third, concerted efforts to acquire highly qualified personnel who are analytical and articulate are needed to do everything. Mr. Campbell hasn't hired young professionals in a few years, not because they are not qualified, but rather they are not applying. The allure of working in the public sector has decreased at a time when many young professionals experience more aggressive recruitment by their private sector counterparts. This is augmented by a large salary differential. New employees who have more competitive salaries should be put under lifelong learning programs (of which he is no better model) similar to professional development in other sectors. Training of future financial management leaders needs to open up, rather than limit, future opportunities. Cross training financial managers across a variety of disciplines serves this purpose, and at the same time prepares workers to develop more holistic responses to the problems they face. It will also create leaders who have the vision and energy to achieve success in financial management processes financial workers have struggled with during the past decade.

Mr. Campbell looks forward to project implementation. His office is challenged by the rapid succession of requirements and mandates set before them, and he is confident his office will move forward to meet those challenges. In efforts to obtain clean audit opinions annually, and in all other mandates, including the President's Management Agenda, Mr. Campbell expects nothing less of himself and his office than what he has already given: effort and commitment.

□



*William H. Campbell  
Deputy CFO  
Department of Veterans Affairs*



# JFMIP 31<sup>st</sup> Annual Financial Management Conference

**Tuesday, March 12, 2002**  
**Hilton Washington and Towers**  
**1919 Connecticut Avenue, NW**  
**Washington, DC**

## Keynote Speakers

**Kay Coles James**, Director, Office of Personnel Management (OPM)  
**David Walker**, Comptroller General of the U.S.

## Highlight Address

**Mark Everson**, Controller, Office of Federal Financial Management,  
 Office of Management and Budget (OMB)

## Award Presentations

**Donald L. Scantlebury Memorial Awards**  
**for Distinguished Leadership in Financial Management**

## Morning Panel Sessions

### 1. Expanded Electronic Government

Mark Forman, Associate Director for IT and e-Government, OMB  
 John Moseley, Program Executive, Human Resources Data Network, OPM  
 Michael Sade, Director, Acquisition Management, Department of Commerce

### 2. Competitive Sourcing

Angela Styles, Administrator, Office of Federal Procurement Policy, OMB  
 Deidre Lee, Director, Defense Procurement, Department of Defense  
 Merv Forney, President, Business Process Management, ACS Government Services

### 3. Improved Financial Performance

Jeff Steinhoff, Managing Director, Financial Management & Assurance, General Accounting Office (GAO)  
 Don Hammond, Fiscal Assistant Secretary, Department of the Treasury  
 Mark Carney, Deputy CFO, Department of Education  
 Dov Zakheim, CFO, Department of Defense

## Afternoon Panel Sessions

### 1. Strategic Management of Human Capital

Christopher Mihm, Director, Strategic Issues, GAO  
 Angela Antonelli, CFO, Department of Housing and Urban Development  
 Sandi Payne, Director, Strategic Planning, OPM  
 Myra Shiple, Director, Human Resources, National Academy of Public Administration

### 2. Budget and Performance Integration

Justine Rodriguez, Deputy Associate Director of Economic Policy, OMB  
 Donna McLean, Chief Financial Officer, Department of Transportation  
 Paul Posner, Managing Director, Federal Budget and Intergovernmental Relations, GAO

### 3. Improving Asset Management

Debra Watson, Branch Chief for Policy and Process, Resources Analysis Division, National Aeronautics and Space Administration  
 Joseph Kull, Deputy Controller, Office of Federal Financial Management, OMB  
 Lorraine Lewis, Inspector General, Department of Education  
 Joseph Loddio, Chief Financial Officer, Small Business Administration

**CPE Credit** - The Conference qualifies for 7 hours of continuing professional education credit.

## Hotel Accommodations

A small block of rooms is available at the Hilton Washington and Towers at the government rate. Please call the reservation desk on (202) 483-3000 by February 19 and indicate that you are with the JFMIP Conference. The hotel is located at 1919 Connecticut Avenue NW, Washington, DC. It is 4 blocks north of the Dupont Circle Metro Stop on the Red Line.

## Registration Information

Attendance at this conference can be approved under the Government Employees' Training Act. Registration and payment should be submitted no later than March 5, 2001. Early submissions are recommended. Submissions made after March 5 will be accepted only if space is available, and late participants may have to register at the walk-in registration desk at the conference site.

## Registration starts at 7:00 am and the program begins at 8:00 am.

Cancellations must be in writing and received by March 4, or a billing will be made. Substitutions will be accepted. The cost for the Conference is \$150. Individuals from Federal agencies may charge their registrations or submit an approved training authorization or purchase order. The purchase order should include a complete mailing address, phone number and billing address for each participant.

You may register electronically through the JFMIP website, [www.jfmip.gov](http://www.jfmip.gov) or submit a registration form and a check payable to Graduate School, USDA. Visa, MasterCard, Diners Club and American Express are accepted. All authorizations, checks and registrations should be sent to:

Graduate School, USDA  
JFMIP Conference  
Room 280 (IH)  
600 Maryland Ave., SW  
Washington, DC 20024-2520

Registrants will receive confirmation by email or in writing that they are registered to attend the Conference. Please indicate an email address or fax number on your registration form, especially if you are registering in late February or in March. For further information about registration, please contact Isabelle Howes, (202) 314-3471 or fax (202) 479-6801.

If you have any questions about the program, please contact JFMIP on (202) 219-0526 or obtain the information through our website,  
**[www.jfmip.gov](http://www.jfmip.gov)**

This registration form and payment or training authorization must be received by March 5, 2002. Conference fee: \$150 per person

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Department/ \_\_\_\_\_

Organization \_\_\_\_\_

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Special Needs (i.e. sign language interpreter, braille, kosher meal, etc.) \_\_\_\_\_

Mail to:

Graduate School, USDA  
JFMIP Conference  
Suite 280 (IH),  
600 Maryland Ave., SW,  
Washington, DC 20024-2520  
Fax to: (202) 479-6801

## FASAB Update

The Federal Accounting Standards Advisory Board (FASAB) met on December 13-14, 2001 and the meeting highlights are summarized.

### Another Exposure Draft on Property, Plant, & Equipment

The Board received 13 comments in response to its recent exposure draft, *Accounting for National Defense PP&E and Associated Cleanup Costs: Amending SFFAS 11, Amendments to Property, Plant, and Equipment - Definitional Changes, Amending SFFAS 8, Supplementary Stewardship Reporting, Amending SFFAS 6, Accounting for Property, Plant, and Equipment*. Many respondents believe that the Department of Defense's property, plant, and equipment (PP&E) should be capitalized and depreciated, as is general PP&E. Included among them is the Department of Defense (DoD). DoD requests that the Board reconsider the proposed approach to accounting for military equipment or National Defense PP&E. DoD recommended that SFFAS 6, *Accounting for Property, Plant, and Equipment*, be modified to classify military equipment – or National Defense PP&E – as general PP&E. DoD further requests that FASAB formally recognize the use of group and composite depreciation methods.

The Board tentatively agreed to develop guidance that would result in eliminating the category "National Defense PP&E." Some members requested more information about composite and group depreciation as well. The FASAB staff was asked to research the changes needed, identify issues, and develop an exposure draft for the Board's consideration. Because of the ongoing systems changes at DoD, the Board plans to make resolving this issue a top priority. Contact Rick Wascak, 202-512-7363, wascacr@fasab.gov, for more information.

### Stewardship Responsibilities

The Board reviewed a pre-ballot draft of an exposure draft to reclassify information about stewardship responsibilities, currently classified as "required supplementary stewardship information." The "risk assumed" information required by SFFAS

5, *Liabilities of the Federal Government*, and the "current services assessment" (CSA) required by SFFAS 8, *Supplementary Stewardship Reporting*, would become required supplementary information (RSI). Information about social insurance, required by SFFAS 17, *Accounting for Social Insurance*, would become an integral part of the basic financial statements, essential to fair presentation in conformity with generally accepted accounting principles (GAAP). The proposed standard would be effective for periods that begin after September 30, 2002.

Specific changes were provided and a ballot draft will be presented to the Board before the next meeting in February 2002. Publication of the exposure draft for public comment is expected early next year. For information, contact: Robert Bramlett, 202-512-7355, bramlett@fasab.gov.

### Consolidated Financial Report (CFR)

**Objectives for the CFR.** The Board continued its discussion of guidance for governmentwide or consolidated level reporting. It reviewed a preliminary exposure draft of concepts for Consolidated Financial Reporting of the US Government. After agreeing that the primary audience of the CFR is external users, particularly citizens and their intermediaries, the Board asked the FASAB staff to expand the discussion of users and make some minor changes. The staff will revise the draft and provide a final draft for Board pre-balloting by the end of January. The Board expects to have an exposure draft issued in late winter. Contact: Lucy Lomax, 202-512-7359, lomaxm@fasab.gov for more information.

### New Governmentwide Financial Statements.

The Board discussed alternatives for the first of two statements of additional information that would be reported in the CFR. The information would relate the government's net operating revenue (or cost) from the proprietary accounting system to the surplus (or deficit) from the budgetary accounting system.

In February, the Board will discuss the second statement of information that would compare the surplus (or deficit) with the change in operating cash or, alternatively, with the change in debt held by the public. This information would illustrate why the budget surplus (or deficit) doesn't result in an equal increase (or decrease) in the government's cash balance or, alternatively, in the debt held by the public.

After the Board approval, the two statements of information will be exposed for comment in a proposed standards document that would apply only to the governmentwide entity. For additional information, contact: Rich Fontenrose, 202-512-7358, fontenros@fasab.gov.

### Federal Government Earmarked Funds

The Board discussed potential issues to be addressed by a project on Federal government earmarked funds. Statement of Federal Financial Accounting Standards 7 (SFFAS 7), *Accounting for Revenue and Other Financing Sources*, provides the most extensive guidance on earmarked funds under the standard for dedicated collections. The Board acknowledged the general public's apparent difficulty understanding the nature of earmarked funds. The Board concluded that the project should focus on disclosure requirements. A working group will meet in early January and staff will report on progress at the Board's February meeting. Andrea Palmer, 202-512-7360, palmera@fasab.gov is the contact person.

### Assigning Legal Costs

The FASAB staff is preparing a proposed technical bulletin, *Assigning Costs and Liabilities to Agencies that Result from Legal Claims against the Federal Government*. The technical bulletin would provide guidance to Federal entities on accounting and reporting costs and liabilities assigned as a result of legal claims against the Federal government. The staff expects to post an exposure draft of the technical bulletin on the FASAB web site for comment by the latter part of January 2002. For additional information, contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov.

*Continued on Page 13*



## Payroll Processing Memorandum

**T**his fall OMB asked the Joint Financial Management Improvement Program (JFMIP) to lead an effort to identify actions necessary to improve payroll service delivery and reduce future capital investment and operating costs. On December 21, 2001, a Memorandum to Agency Chief Financial, Information and Human Resource Officers was delivered from Mark Everson, Controller OMB, and Mark Forman, Associate Director for Information Technology and e-Government. The memorandum outlined the following strategy to be pursued: (1) Establish central governance over the HR/Payroll function; (2) Standardize HR/Payroll policy and processes to the extent practicable; (3) Develop integrated government-wide enterprise architecture for HR/Payroll systems; and, (4) Consolidate HR/Payroll service delivery.

Reviews of HR systems, undertaken as part of the “e-Government” Internal Efficiency and Effectiveness (IEE) Initiative,

identified similar management issues in the payroll analysis. Moreover, HR and payroll systems are inextricably linked; both systems share the same key data, integration points, and stakeholder organizations. Further, there are overlapping challenges in reducing the number of systems and transitioning to modernized systems. Consequently, OMB determined that the implementation of recommendations identified by the JFMIP study are most effectively managed by incorporating them under the Internal Efficiency and Effectiveness (IEE) steering group of the “e-Government” effort, specifically the Human Resources initiative.

The actions to be undertaken by the IEE Steering Group will be to establish a centralized HR/Payroll Governance Framework and to define the action plan that migrates agencies to 2-3 approved payroll providers and a single integrated HR/Payroll system software. OPM has been designated

as the managing partner for HR/Payroll initiatives under the IEE Steering Group, in consultation with stakeholder groups including the HRMC, the HRTC, and the CFO Council. OPM will be given authority over payroll policy. A detailed plan will be prepared that:

1. Establishes the mechanism to manage cross-agency standardization, including integrated software development, and govern HR/Payroll investment and infrastructure decisions;
2. Determines criteria and a timeline for selection of the approved payroll providers;
3. Develops criteria for migration decisions;
4. Identifies timelines for migration.

## The Executive Branch Management Scorecard

*Continued from page 1*

agenda. Each agency baseline for the current status against scorecard standards was set as part of the FY 2003 budget formulation process. That process also identified work plans and initiatives for each agency in support of the management agenda.

“Getting to Green” on the President’s management agenda will represent significant accomplishment for most Federal agencies. Take, for example, the standards for success on the Financial Management initiative. In order to be rated “green” an agency must meet all core criteria including:

- Financial management systems meet federal financial management system requirements and applicable Federal accounting and transaction standards as reported by the agency head.
- Accurate and timely financial information.
- Integrated financial and performance

management systems supporting day-to-day operations.

- Unqualified and timely audit opinion on the annual financial statements; no material internal control weaknesses reported by auditors.

Given that OMB is also accelerating the timetable for submitting audited financial statements and agency systems and business processes are in a state of transition, it will be a significant accomplishment to achieve and sustain a green rating. Achieving “green” status in the other four cross cutting management agenda items requires achieving equally ambitious standards.

The two-part evaluation recognizes that it may take several years for some agencies to achieve objective standards for success. The “progress” side of the scorecard measures implementation of agreed upon improvement plans in the five areas.

The first scorecards will be presented in the President’s FY 2003 Budget, scheduled for release on February 4, 2002. OMB will use the scorecard tool to assess agency progress and status against the President’s management agenda on a quarterly basis. Scorecard results will be used as a basis for resource discussions throughout the year and during the preparation of the FY 2004 and subsequent budgets. □

**The October 29 memo and more information about the scorecard are available at:**

<http://www.whitehouse.gov/omb/memoranda/m02-02standards.pdf>

## IG Progress Report Focuses Attention on Significant Management Challenges

In July 2001, the President's Council on Integrity and Efficiency (PCIE)<sup>1</sup> and the Executive Council on Integrity and Efficiency (ECIE)<sup>1</sup> released *A Progress Report to the President*, for Fiscal Year (FY) 2000. Under the leadership of the Department of Justice and National Labor Relations Board Offices of Inspector General (OIG), this report featured the Inspector General's (IG) community's noteworthy accomplishments over the past fiscal year. This report also went a step further by offering the President and the Congress the community's view on the management challenges facing the Federal government today and in the near future.

Over the past 22 years, the IG community has continued to be a positive force for improving the economy, efficiency, and effectiveness of federal programs and operations and preventing and detecting fraud, waste, abuse, and mismanagement. The Inspector General Act of 1978 created independent audit and investigative offices within 12 Federal agencies. Over the years, the IG concept has been expanded to most of the Federal government. In FY 2000, there were 57 OIGs effectively promoting financial management accountability, helping to ensure program integrity, and minimizing risks of fraud and abuse in 59 Federal agencies.

*A Progress Report to the President* is rich with interesting examples and impressive statistics that illustrate the breadth of knowledge and insights the IG community brings to bear on issues facing the leaders of our Nation. The report compendium of select examples is only a fraction of the objective audits, evaluations, inspections, and investigations of federal programs and activities completed during the past fiscal year. The report also highlights the work of the PCIE Committees to promote integrity, accountability, and excellence in government.

### OIG Contributions to Enhance Program Integrity

Sound government operations depend upon the federal workforce's ability to oversee the integrity of government

programs and operations. By their very existence, the OIGs have supported this need by federal managers for independently collected and analyzed information and insights. Over the past year, the OIGs have addressed a wide range of concerns related to the census, illegal border activity, public safety, transportation, national defense, fraud, bribery, corruption, health care abuses, banking irregularities, and other such activities that may adversely affect the lives of our citizens. This extensive effort by the more than 11,000 OIG employees nationwide has not only resulted in improvements for implementing and overseeing federal programs and operations but also has produced real financial and investigative results.

As a whole, the IG community identified potential savings of \$9.5 billion and took actions to recover almost \$5.5 billion during FY 2000. Over the same period, the community was instrumental in over 5,500 successful prosecutions, suspensions or debarments of nearly 7,000 individuals or businesses, and more than 2,600 civil or personnel actions. As a community, IGs also testified more than 120 times in front of congressional committees on a broad range of matters that were of national interest.

### Management Challenges From the OIGs Perspective

The main thrust of this year's report was to focus attention on the most significant challenges facing the new Administration. Over the past 3 years, congressional leaders have asked selected OIGs to identify the most significant challenges facing their particular agency and assess how well their agency is addressing their challenges. Clearly, OIGs are in the best position to take an organizational look at their agency and provide an independent, objective assessment.

To further assist the requesters, the Councils have compiled the information to provide a governmentwide look at the most significant management challenges facing our leaders. Many of the challenges we noted are consistent with the Administration's

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## New OMB Controller

*Continued from page 1*

1998, Mr. Everson was an executive with the Pechiney Group, one of France's largest industrial groups. While with Pechiney, he held financial and operating positions in Chicago, Illinois; Manisa, Turkey; Marion, Indiana; and finally at the group's headquarters in Paris, France. While in Paris, he served as Senior Vice President – Control, and was the only non-Frenchman to direct a corporate function (budgeting, management reporting, and preparation of the multi-year plan) at Pechiney.

Mr. Everson served in the Reagan Administration from 1982 until 1988. For three years, he was at the U.S. Information Agency, the public diplomacy arm of the government. In 1985, he moved to the Department of Justice where he served as Special Assistant to Attorney General Edwin Meese III. He was subsequently Executive Associate Commissioner and then Deputy Commissioner of the Immigration and Naturalization Service (INS). While at INS, he oversaw implementation of the Immigration Reform and Control Act of 1986, landmark legislation providing for sanctions against employers hiring undocumented aliens and granting amnesty to millions of qualifying illegal aliens.

Mr. Everson began his career with Arthur Andersen & Co. in New York. He received his B.A. in History from Yale University and has a Masters of Science in Accounting from the New York University Business School. □

### Frequent Flyer Miles for Federal Employees

Federal employees may now keep frequent flyer miles based on a law that President Bush signed into law (S. 1438, National Defense Authorization Act for Fiscal Year 2002) on December 28, 2001. Section 1116 of this law authorizes federal employees to retain promotional items, including frequent flyer miles, earned on official travel. The Office of Travel Management in the General Services Administration (GSA) recently issued Federal Travel Advisory Number 5, dated December 31, 2001 that contains the guidelines for official federal travelers using frequent traveler benefits. The guidelines can be found on its website, [www.gsa.gov](http://www.gsa.gov).

# Improving IT Security

*Continued from page 3*

Financial Management, and Intergovernmental Relations issued a second computer security report card for federal departments and agencies with an overall governmentwide grade of "F."

To improve federal information security both for individual agencies and governmentwide, there are a number of actions that should be taken. Within Federal agencies, effective security program management is essential to improve information security and to help ensure that improvements are fully effective and lasting. Each agency needs a set of management procedures and an organizational framework for identifying and assessing risks, deciding what policies and controls are needed, periodically evaluating the effectiveness of these policies and controls, and acting to address identified weaknesses. These are the fundamental activities that allow an organization to manage its information security risks in a cost-effective manner rather than reacting to individual problems in an ad hoc manner only after a problem has been detected or an audit finding reported. However, developing and implementing effective security program management takes time, and as GAO has reported, there are other more immediate actions that agencies can take to address their security weaknesses and, thereby, reduce the related risks and help ward off attack.<sup>2</sup> None of these actions alone will ensure good security, but they take advantage of readily available information and tools and, thus, do not involve significant new resources. Specifically, agencies can:

- increase security awareness for agency personnel at all levels;
- use strong passwords;
- back up files early and often;
- verify their security software settings;
- ensure that policies and controls already implemented are operating effectively;
- promptly implement software patches available from vendors for known

software vulnerabilities, focusing on the most common vulnerabilities first;

- routinely use automated scanning, testing, and monitoring tools to quickly identify problems; and
- identify and expand the use of best practices throughout the agency.

To improve information security governmentwide, there has been a number of efforts during the last 2 years. For example, in January 2000, the President issued a National Plan for Information Systems Protection, and in November 2000, the Federal Chief Information Officers Council issued a guide for determining the status of agency computer security programs. More recently, and partially in response to the events of September 11, 2001, the President appointed a Special Advisor for Cyberspace Security to coordinate interagency efforts to secure information systems and created the President's Critical Infrastructure Protection Board to recommend policies and coordinate programs for protecting information for critical infrastructure. This Board, chaired by the Special Advisor for Cyberspace Security, includes a standing committee for executive branch information systems security.

Although these actions are commendable, the government still faces a challenge in ensuring that risks from cyber threats are appropriately addressed in the context of the broader array of risks to the nation's welfare. As the administration refines the strategy that it has begun to lay out in recent months, it is imperative that it ensures that information security receives appropriate attention and resources and that known deficiencies are addressed. As GAO has reported to the Congress,<sup>3</sup> steps to accomplish this include the following:

1. The federal strategy should delineate the roles and responsibilities of the numerous entities involved in federal information security and related aspects of critical infrastructure protection.
2. Agencies need more specific guidance on the controls that they need to implement to help ensure adequate protection.
3. Ensuring effective implementation of agency information security and critical infrastructure protection plans will require monitoring to determine if milestones are being met and testing to determine if policies and controls are operating as intended. Routine periodic audits, such as those required in the government information security reforms recently enacted, would allow for more meaningful performance measurement.
4. The Congress and the executive branch can use audit results to monitor agency performance and take whatever action is deemed advisable to remedy identified problems.
5. Agencies must have the technical expertise they need to select, implement, and maintain controls that protect their computer systems. Similarly, the Federal government must maximize the value of its technical staff by sharing expertise and information.
6. Some additional funding amounts are likely to be needed to address specific weaknesses and new tasks for computer security and infrastructure protection activities.
7. While a number of research efforts are underway in the area of information systems protection, experts have noted that expanded research is needed to achieve significant advances.

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# OMB Outlines New Federal e-Government Strategy

## 23 Initiatives Will Help Improve Customer Service and Efficiency

On October 25, 2001, the Office of Management and Budget (OMB) Director Mitchell E. Daniels, Jr. outlined a new E-government plan that will accelerate Federal government improvements in effectiveness, efficiency, and customer service. The strategy, adopted by the President's Management Council (PMC) in October, implements the "Expanding Electronic Government" reform outlined in the President's Management Agenda.

"As a nation we're already the leader in global information technology. With these reforms, citizens will be able to demand and expect the same level of IT quality from their government that the private sector provides its customers," said Director Daniels.

The plan, developed by the E-Government Task Force established in August by Director Daniels, will create multi-agency teams to develop and deploy 23 major e-Government initiatives. These measures will use Internet-related technologies to accelerate and streamline service delivery to citizens, reduce paperwork burdens on business, improve management and responsiveness of joint federal-state-local programs, and apply commercial best practices to improve

government operating efficiency. Another initiative will focus on computer security, disaster response, and intergovernmental communications for public safety.

The 23 e-Government initiatives cut across many Federal agencies and reflect partnership with state and local governments. The initiatives are designed to maximize Federal government productivity gains from technology, eliminate redundant systems, and significantly improve government's quality of service for citizens and businesses over the next 18 to 24 months.

Mark Forman, executive director of the task force, said "We had more than 70 experienced, knowledgeable, and high-level individuals from 30 agencies working to identify high payoff initiatives that can be rapidly deployed. We now have an action plan and roadmap to e-Government that the PMC has endorsed. Each initiative reflects multiple current investments, and I look forward to working with agencies in a partnership approach to reduce redundancy and improve citizens' return on investment. I am proud of the accomplishments of this task force,

which provided a strong beginning to this important effort."

The E-Government Task Force kicked off the project on August 9. By September 5th, 80 interviews were conducted with senior federal and state officials, including political appointees and career civil officials. More than 175 e-mail responses were also received, and more than 269 information technology "projects" were uncovered.

The task force also identified that the federal business architecture comprises 28 major lines of business and discovered that nearly 500 business lines are operating in the agencies, which equates to an average of 19 agencies performing each line of business. Therefore, the task force is developing a high-level business case to evaluate each initiative. As a result of simplifying business processes and unifying government operations around citizen needs, each e-Government initiative creates an order of magnitude improvement in efficiency and effectiveness of government operations. Overall, the initiatives represent an opportunity to free-up billions of dollars of federal spending, while accelerating government response times from weeks down to minutes.

*Continued next page*

## Non-Income Tax Revenue System Requirements Development is Underway

The development of the *Non-Income Tax Revenue System Requirements* document has begun. A kick-off meeting was well attended on October 29, 2001. Jo Cohen, Deputy Chief Financial Officer at U.S. Customs, is sponsoring the project and leading a team of over 20 participants representing Federal agencies across government. Daniel Costello is coordinating the project for JFMIP. Presently, the team is reviewing documentation relating to over 40 existing revenue systems at 14 agencies including the Departments of Housing and Urban Development, Interior, Transportation, Treasury and Agriculture, among others. By gathering information on functional requirements from an array of systems, the team hopes to identify commonalities and gaps between them. These efforts will guide the team in determining what functions a non-income tax revenue system should perform and help standardize revenue system requirements. The team anticipates developing an exposure draft for comment by late spring.

Non-income tax revenue is an inflow of resources that the government demands, earns, or receives by donation. For the purposes of this document, income taxes, proceeds from private insurance carriers, and certain revenues from revaluation of assets or liabilities will be excluded. Most agencies collect some type of non-income tax revenue. Examples of non-income tax revenue include fees, programmatic collections, interest, penalties and donations, and there are numerous ways systems account for them. Establishing functional requirements for non-income tax revenue systems will help to develop baseline requirements for commercial, off-the-shelf (COTS) software vendors across government.

We encourage any input, questions, and comments as the project moves forward. The JFMIP contact is Daniel Costello at 202-219-0542 or [daniel.costello@gsa.gov](mailto:daniel.costello@gsa.gov). □

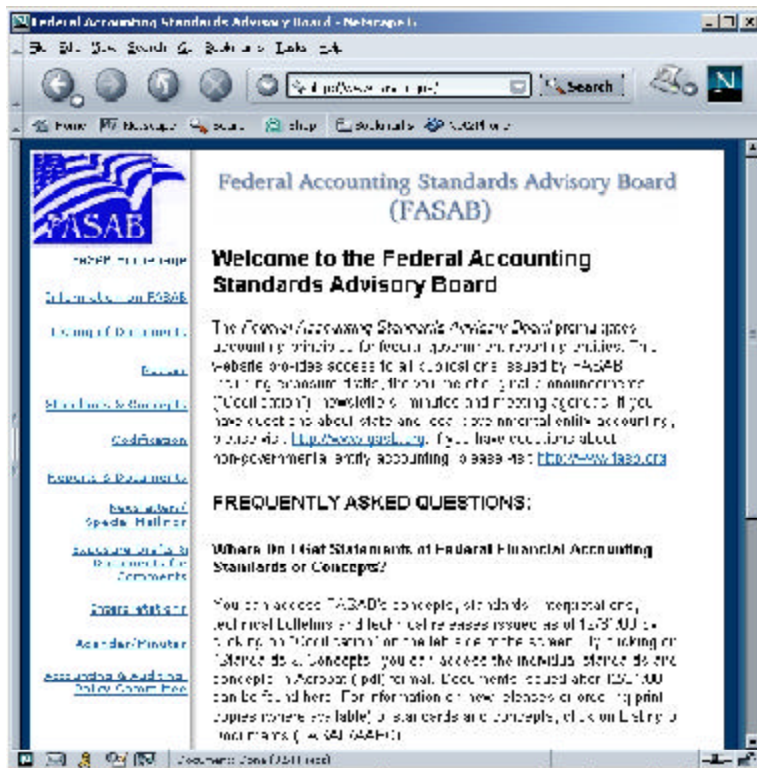


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The task force identified five key areas that require executive attention to enable federal e-Government success: agency participation; lack of architecture decisions; security and privacy concerns; resource availability; and resistance from key stakeholders. The PMC agreed to provide the executive leadership and management attention needed to overcome these barriers. In addition, the PMC endorsed the task force's federal computer security and architecture recommendations.

Agencies will now begin the difficult work of finalizing business cases and implementing the recommendations through a governance structure that includes "managing partners" working in cooperation with other partner agencies, measuring progress, and coordinating with interagency councils/steering groups on a portfolio of improvements cutting across the Federal government. □

E-Gov Initiatives: Final Selections and Managing Partners			
Government to Citizen		Government to Business	
1. USA Service	Managing Partner GSA	1. Federal Asset Sales	Managing Partner GSA
2. EZ Tax Filing	TREAS	2. Online Rulemaking Management	DOT
3. Online Access for Loans	DoEd	3. Simplified and Unified Tax and Wage Reporting	Treas
4. Recreation One Stop	DOI	4. Consolidated Health Informatics (business case)	HHS
5. Eligibility Assistance Online	Labor	5. Business Compliance One Stop	SBA
		6. International Trade Process Streamlining	DOC
Government to Government		Internal Effectiveness and Efficiency	
1. e-Vital (business case)	Managing Partner SSA	1. e-Training	Managing Partner OPM
2. e-Grants	HHS	2. Recruitment One Stop	OPM
3. Disaster Assistance and Crisis Response	FEMA	3. Enterprise HR Integration	OPM
4. Geospatial Information One Stop	DOI	4. Integrated Acquisition	GSA
5. Wireless Networks	DOJ	5. e-Records Management	NARA
		6. Enterprise Case Management	DOJ
			14
Crosscutting Initiative: e-authentication, Managing Partner, GSA			



## FASAB Update

*Continued from page 8*

### New Web Site Address

Effective December 1, 2001, FASAB's new web address is [www.fasab.gov](http://www.fasab.gov)

### Accounting and Auditing Policy Committee Update

On November 20, 2001 the Steering Committee of the Federal Accounting Standards Advisory Board selected Joseph F. Moraglio to fill the at-large seat on the Accounting and Auditing Policy Committee (AAPC). Mr. Moraglio has been appointed to a three-year term on the Committee. He brings a wealth of accounting and auditing experience to the Committee. Mr. Moraglio currently is a full time instructor of accounting at George Mason University. For nearly twenty years, Mr. Moraglio served as Vice President of the Federal Government Division of the American Institute of Certified Public Accountants (AICPA). While at the AICPA, Mr. Moraglio participated in the development of AICPA professional accounting and auditing guidance used by thousands of Certified Public Accountants (CPA's) working in government and other sectors. For more information on AAPC activities, contact Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov). □

# IG Progress Report Focuses Attention on Significant Management Challenges

*Continued from page 10*

Government Reform initiatives, as described in the President's "A Blueprint for New Beginnings—A Responsible Budget for America's Priorities." The "budget blueprint's" emphasis on government reform initiatives, such as ensuring financial accountability and linking budget and management decisions to performance, further illustrate the significance of these management challenges.

In *A Progress Report to the President*, we demonstrated our concurrence with the Administration's priorities and highlighted those, based on the work of the IG community, that we considered to be the most vital. Although the report details several serious management challenges, the executive summary placed particular emphasis on three areas—information technology, government performance, and financial management—where the community has made its most significant contributions.

## Information Technology

After successfully completing a communitywide effort by the OIGs to ensure that the Federal government's automated information infrastructure was prepared to handle any Year 2000 computer-related problems, the OIGs turned to other, equally critical challenges to the government's information technology. Globalization, criminals, hackers, and terrorism all pose a threat to the automated databases, telecommunications, and information systems upon which the government depends. In addition to offering recommendations geared at improving security and minimizing vulnerabilities to cyber-related attacks, OIGs collaborated with each other to leverage their knowledge and expertise. Over the past year, the OIGs have made a concentrated effort to share techniques and technology, such as

penetration testing, independent verification of corrective actions, and contingency plan assessments, to examine computer system security.

## Government Performance

The IG community continued to play a vital role in the advancement of the Government Performance and Results Act (GPRA). The Senate Committee on Governmental Affairs has challenged the IG community and the General Accounting Office (GAO) to assess the extent to which agencies were setting specific and measurable goals to address their long-standing management challenges. The IG community responded to the challenge and conducted a variety of reviews to provide insight and advice to agency staff who are charged with GPRA implementation. Many OIGs have integrated the assessment of performance measures as a standard part of the program audits they conduct. In addition, the Councils have a GPRA Roundtable, which serves as an arena for discussing and sharing information geared toward addressing the challenges that GPRA presents.

## Financial Management

The IG community has been an integral partner in the ambitious task of producing auditable consolidated financial statements. OIGs bring audit expertise and an institutional dedication to the proposition that sound management decision-making requires reliable financial systems and information. Over the past several years, the focus has centered on agencies' attempts to obtain unqualified or "clean" opinions. If obtaining a clean opinion is useful as the measure, results have been impressive over the last 4 years. This accomplishment reflects the increased collaboration among agency managers and OIGs to perform extensive

data collection, testing, and analysis under stringent deadlines.

As a broader benefit of their involvement over the years, the OIGs have a more complete understanding of the systems and processes and as such have been able to uncover major financial management and accounting system deficiencies. It is from the "front line" position that *A Progress Report to the President* sounds a note of caution amidst the significant "clean opinion" achievements.

In some agencies, attainment of a clean opinion is a fragile and somewhat artificial achievement because it results from extraordinary end-of-year efforts rather than regularized accounting operations. Moreover, the achievement of an accurate financial statement on March 1 does not ensure that management has current, reliable, and useful financial data throughout the year to assist in making key decisions. Much has been accomplished in this area but much more remains to be done to bolster agency accounting operations and financial information systems.

## More Information on the IG Community

For access to the *Progress Report to the President* and a more in-depth look into the Inspector General community, visit <http://www.ignet.gov>. This web site contains history, organization, and activities of the IG community; frequently asked questions about the IGs; and a directory of IGs and links to their home pages.

## Endnotes

<sup>1</sup> The PCIE, created in 1981 and the ECIE, created in 1992, were established by Executive Order to coordinate and enhance governmental efforts to promote integrity and efficiency and to detect and prevent fraud, waste and abuse in federal programs. □

# Public and Private Sector Organizations' Strategies to Manage Financial Improvement

*Continued from page 4*

action on improper payments if you don't know how big the problem is and have not identified risk areas. Once risk areas are identified, their potential impact on programs and activities should be measured and additional controls should be considered. As risks are addressed and controls are changed, the risk assessment should be revisited occasionally to determine where the risks have decreased and where new areas of risk may exist. In other words, the risk assessment process should be iterative. Activities used by the study participants to assess risk included programwide sampling to determine the amounts of improper payments due to agency errors, participant errors, and illegal acts.

## Control Activities

*"There are no brownie points for just talking about the problem."*

Joan McQuay, National Benefit Control and Debt Manager, Work and Income New Zealand

Control activities are the policies, procedures, techniques, and mechanisms that help ensure that management's decisions and plans are carried out. The guide discusses six kinds of control activities—data sharing, data mining, neural networking, recovery auditing, contract audits, and prepayment investigations. The organizations in the study tailored their actions to fit their needs, using many different prevention and detection control activities to manage improper payments. These activities spanned a range in the level of sophistication and expense involved, but the key to their success was having the right people perform the right jobs. When involved in control activities, organizations must comply with all relevant laws and strike a balance between the sometimes competing goals of privacy and program integrity.

## Information and Communications

*"We are always working to achieve balance between program integrity and access to health care for recipients."*

- Robb Miller, Inspector General, Illinois Department of Public Aid

Top-level agency officials, program managers, and others responsible for managing and controlling program operations need relevant, reliable, and timely financial and nonfinancial information to make operating decisions, monitor performance, and allocate resources. The sources of this information for the entities we reviewed varied widely, from information contained in multiple computer databases to periodic meetings for sharing information on emerging issues and other areas. The need for information and communication extends beyond organizational boundaries. Organizations in the study also developed educational programs to assist participants and service providers in understanding eligibility, filing, and other requirements.

## Monitoring

*"We will want to know what action is being taken and what more could be done to get a grip on the burgeoning levels of fraud and inaccuracy in benefit claims."* David Davis, Chairman of the Parliamentary Committee of Public Accounts, United Kingdom

Monitoring focuses on the assessment of the quality of performance over time and on the prompt resolution of problems identified through risk assessments, separate program evaluations, or audits. Once an organization has identified its risks related to improper payments and undertaken activities to reduce such risks by upgrading its control activities, monitoring performance allows the organization to

gauge how well its efforts are working. The guide highlights foreign government and state legislative bodies that required annual performance reports and the measurement of performance against established benchmarks. These reports are communicated to the appropriate individuals within the organization so problems can be resolved promptly.

## Observations

High levels of improper payments need not and should not be an accepted cost of running federal programs. The organizations profiled in the guide found that they could effectively and efficiently manage improper payments by addressing the system of internal control over their programs. In the Federal government, implementation of the steps taken by the study participants will likely not be easy or quick. It will require strong support, not just in words but in actions, from the President, the Congress, top-level administration appointees, and agency management officials.

It is important that the results of the actions taken be openly communicated or available not only to the Congress and agency management but also to the general public. This transparency demonstrates the importance that the government places on the need for change and open communications about performance results. It also acts as an incentive for agencies to be ever vigilant in their efforts to address the wasteful spending that results from lapses in controls that lead to improper payments. □

Copies of the guide can be obtained through GAO's web site ([www.gao.gov](http://www.gao.gov)), by calling (202) 512-6000, or at GAO's document distribution center located in Room 1100, 700 4<sup>th</sup> Street, NW, Washington, DC 20013.

# JFMIP Releases Updates to Core Financial System Requirements

On November 16, 2001, JFMIP released the *Core Financial System Requirements* document, which is the most current update to the document first issued in January 1988. This update reflects recent changes in laws and regulations and in governmentwide reporting systems, such as the Department of Treasury's Federal Agencies Centralized Trial Balance System (FACTS) II system. The update also includes the following types of changes to Core financial system requirements:

- Some existing requirements have been clarified
- Redundant or outdated requirements have been deleted
- Value-added requirements are now incorporated into this document
- The classification (mandatory or value-added) of certain requirements has been changed, and
- New requirements have been added to reflect the current needs of Federal agencies.

This document addresses a goal of the Chief Financial Officers (CFO) Council and the JFMIP to improve the efficiency and quality of financial management in the Federal government. It also supports the CFO Act of 1990, the Government Management Reform Act (GMRA) of 1994, and the Federal Financial Management Improvement Act (FFMIA) of 1996, and strongly reaffirmed the need for the Federal government to provide financial systems that facilitate the effective management of government programs and services and the proper stewardship of public resources. In addition, it supports the Government Performance and Results Act (GPRA) of 1993, which was enacted to improve federal program effectiveness and public accountability by promoting a new focus on results, service, quality, and customer satisfaction. The GPRA requires agencies to establish performance goals to define the level of performance to be achieved by a

program activity, and to provide a basis for comparing actual program results with the established performance goals.

The provisions in this document constitute federal requirements for Core financial systems. They are stated as either mandatory (required) or value-added (optional) system requirements. Agencies must use the mandatory functional and technical requirements in planning their Core financial system improvement projects. Value-added requirements should be used as needed by the agency. It is the responsibility of each agency to be knowledgeable of the legal requirements governing its Core financial operation; therefore, agencies may develop additional technical and functional system requirements as needed to support unique mission responsibilities. As stated in the document, the use of the term "Core financial system" is not intended to imply that a single system component (module) must independently perform all of the functions herein required of a Core financial system. Rather agencies are encouraged to maximize data exchange and share functionality among components of an integrated financial system.

These requirements also remain the basis for the Federal government to test compliance of commercially available Core financial software. In fiscal year (FY) 1999, JFMIP developed a new testing and qualification process, directly linking tests to these requirements. Also, the testing/qualification process was separated from the acquisition phase of the software selection process governed by the General Services Administration (GSA).

This document is available on JFMIP's electronic repository, called the Knowledgebase, which can be reached through the JFMIP website at <http://www.jfmip.gov>.

We appreciate and thank the CFO Council Financial Systems Committee, OMB, the GAO, Treasury, OPM, GSA, and other agencies for their participation and support in improving this document.

## Future Software Certification Process Activities

The current certificates of compliance for software products expire in 2002 and 2003. To maintain the certificate JFMIP requires the vendor to submit the software product for a complete retest. This test process requires a complete cycle of development, which includes: 1) revising the *JFMIP Core Financial System Requirements* document, completed November 2001; 2) Developing a new certification test, including a test of the test by June 30, 2002; and 3) Executing the test for the software products.

A prime consideration in this process is to test any new (or clarified) government requirement as stated in the core requirements document. This is an important stage in the process since this ensures compliance with stated requirements.

From conducting prior tests, JFMIP learned that some requirements could be tested better, and will incorporate these improvements into the test. However, JFMIP is also interested in actual agency experience in the use of these software products to determine requirements that should be tested more thoroughly. Therefore, JFMIP interviewed agencies that have the most current software products, to better understand where the test could be improved. JFMIP will use this information to improve the next round of test certification.

It is important to note that even if an agency has procured a software product, this new requirement and test cycle will be beneficial. The process will direct software products to either meet new requirements or to better meet existing requirements. As agencies upgrade to the new software product versions, they can ensure that the software product offered remains aligned with the government's requirements. □



# Exposure Draft on Acquisition/Financial Systems Interface Requirements Issued

The *JFMIP Acquisition/Financial Systems Interface Requirements* Exposure Draft (JFMIP-SR-01-03) was posted at [www.jfmip.gov](http://www.jfmip.gov) on December 1, 2001, for comment by February 28, 2002. An open house was hosted on December 13, 2001, during which information was presented on the Exposure Draft to approximately 40 attendees, primarily private sector vendors that provide software systems and related services to Federal agencies.

The Exposure Draft was developed and published based on a Charter established by the Procurement Executives Council (PEC) and JFMIP. The Exposure Draft provides information on interfaces between federal financial and acquisition systems.

Mr. W. R. (Russ) Ashworth, Senior Procurement Executive for the Department of Agriculture, is the Project Leader. Senior

financial and acquisition professionals who serve as project team leaders are: Ms. Carol Covey, Department of Defense; Mr. Lee Lofthus, Department of Justice; Ms. Barbara Diering, Office of Management and Budget; and Ms. Rhea Riso, Department of Housing and Urban Development. Logistics Management Institute (LMI) is providing financial and acquisition expertise, as well as project management support for the project.

Information requirements are grouped into five primary sections in the Exposure Draft: (1) Funds Certification; (2) Obligation; (3) De-Obligation; (4) Payment; and (5) Closeout. Separate sections and appendices are included relative to Purchase Card program requirements, general system requirements, factors influencing the environment, and others.

The Exposure Draft includes a transmittal memorandum that asks for comments on seven items of interest: (1) Micropurchases Made with Purchase Cards; (2) Contract Line Item Number (CLIN); (3) Internal Controls and Security; (4) Payment and Closeout; (5) Standard General Ledger (SGL); (6) Mandatory vs. Value-added Requirements; and (7) Definitions.

The transmittal memorandum also includes a matrix for preparing comments that relate to the page numbers and line numbers in the portable document file (pdf) format version of the document. Respondents are requested to transmit electronic versions of the matrix to [Dennis.Mitchell@gsa.gov](mailto:Dennis.Mitchell@gsa.gov). He can be reached via electronic mail, or by telephone on (202)219-0529. □

## New Staff at JFMIP

*Continued from page 4*

Vincent Pizzigno is a special assistant to the Director, at the Vermont Service Center of the U.S. Immigration & Naturalization Service, where about 1 million petitions and applications for various immigration benefits are adjudicated annually. His primary duty is advising the Director on all operational matters, particularly strategic planning.



Vincent Pizzigno

Vincent is also participating in the *Executive Potential Program*, which is a year-long training and development program for federal managers who aspire senior positions in government. Having to do two 60-day details, Vincent joined JFMIP in early November to assist in the human resources area. His principal assignments have been the identification of a curriculum in project management for financial managers and the research and

analysis of future workforce needs for federal financial managers.

When he and JFMIP agreed to a detail, Vincent had several personal expectations: to observe and participate in a new environment, to learn a new vocabulary, to do something meaningful for JFMIP, and to learn something new about himself. As the detail nears its end, Vincent would enthusiastically say that these have been realized.

Vincent was born and raised in New York City. He began his public career in 1985 with the U.S. General Accounting Office and, before that, built homes and taught junior high and high school in Washington and Maryland.

Stephanie Moore is a senior import compliance specialist with the International Trade Administration at the U.S. Department of Commerce in Washington, D.C. Stephanie's job is to enforce laws and agreements to protect U.S. businesses from unfair competition within

the U.S. resulting from unfair pricing by foreign companies and unfair subsidies to foreign companies by their governments. She primarily handles complex countervailing and antidumping petitions filed with the Department by U.S. domestic producers.

Stephanie is also participating in the Executive Potential Program. She is very interested in financial management, particularly as it relates to the budgetary process. Her first 60-day developmental assignment was with the Department of Labor in the Financial Services Division. Stephanie started working at JFMIP on January 7, 2001, and welcomed the opportunity to fulfill her second 60-day developmental assignment at JFMIP. Ms. Moore said that she wanted this assignment because JFMIP is working on projects with cross-cutting issues to improve government practices in an environment that provides a broad perspective on how the federal government operates. Initially, she will be analyzing agency surveys on financial systems packages and testing. □

## CFO Council Update

*Continued from page 13*

A new website for the CFO Council has also been developed, and will be maintained by the General Services Administration. For more information on the CFO Council and a current listing of members, please go to their new website at [www.cfoc.gov](http://www.cfoc.gov).

The CFO Council members include: Mark Everson, Controller, OMB; and Donald Hammond, Fiscal Assistant Secretary and agency representatives. □

Department/Agency	CFO	Deputy CFO
Agriculture	Edward McPherson	Patricia Healy
Commerce	Otto Wolff	James Taylor
Defense	Dov Zakheim	De Ritchie (Acting)
Education	Mark Carney (Acting)	Mark Carney
Energy	Bruce Carnes	James Campbell (Acting)
Health and Human Services	Dennis Williams (Acting)	George Strader
Housing & Urban Development	Angela Antonelli	vacant
Interior	Robert Lamb	R. Schuyler Leshner
Justice	Janis Sposato (Acting)	Eugene Schied
Labor	Brenda Kyle (Acting)	Brenda Kyle
State	Larry Eisenhart (Acting)	Larry Eisenhart
Transportation	Donna McLean	A. Thomas Park (Acting)
Treasury	Steven App (Acting)	James Lingebach (Acting)
Veterans Affairs	D. Mark Catlett (Acting)	William Campbell (Acting)
AID	Michael Smokovich	Elmer S. (Sandy) Owens
Corp for National and Community Service	William Anderson (Acting)	William Anderson
EPA	TBD	Michael Ryan
FEMA	Patricia English (Acting)	Matt Jadacki
GSA	William Early	Elisabeth Gustafson
NASA	Stephen Varholyc(Acting)	Stephen Varholyc
NSF	Thomas Cooley	Donald McCrory
NRC	Jesse Funches	Peter Rabideau
OPM	Kathleen McGettigan	Maurice Duckett (Acting)
SBA	Joseph Loddo	Gregory Walter
SSA	Dale Sopper (Acting)	Thomas Staples

*Continued from page 2*

developed. We are updating sections of the *Financial System Framework* document through the issuance of “white papers.”

**Human Resources.** Since 1993, JFMIP has worked in concert with the federal community to develop or update core competency documents for financial disciplines to identify critical education, training, and work experience that can be used by individuals, managers, and education and training establishments in targeting developmental strategies. The role of the project manager in successfully implementing financial systems was the key focus in FY 2001. In April, JFMIP issued *Core Competencies for Project Managers Implementing Financial Systems in the Federal Government*. At the end of September we will publish the exposure draft, *Building the Work Force Capacity to Successfully Implement Financial Systems*. The CFO Council and the JFMIP jointly sponsored this study and we partnered with the CIO Council Information Technology Work Force Committee in assessing the issues and identifying solutions. The majority of Federal agencies face the issue of finding and keeping competent project managers to support their information system strategies. Your review and comments are critically important to us in order to produce strategies that have broad federal support.

**Future Directions.** JFMIP roles and goals will undergo refinement to help support consensus priorities. The President's Management Agenda will undoubtedly surface common needs. Future meetings of the JFMIP Principals are planned and underscore the importance of current leadership in addressing long standing financial management challenges. The JFMIP Business Plan will be updated to reflect emerging requirements.

We plan to address the balance of the functional requirements—including Insurance Claims and, with OMB leadership, Budget Formulation. Janet McBride, of the JFMIP staff is being detailed to OMB to help implement strategies to improve the government's ability to efficiently process and eliminate government-to-government transactions. Testing and qualifying vendor core financial system software against the updated JFMIP Core requirements will consume much of our attention in the near future. We plan to continue the “white paper” series to provide best practices and technical tools to help agencies implement systems successfully. We recently finalized

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the White Paper "Parallel Operation of Software: Is it a Desirable Software Transition Technique?" which is posted at [www.jfmip.gov](http://www.jfmip.gov). This spring we will address another major barrier to successful implementation of new systems—data conversion. We also plan to highlight success stories in implementing financial systems in the Federal space. It seems that bad news travels fast and successes are hidden under the proverbial bushel basket. However, there are success stories out there.

By 2004, agencies are expected to produce their audited financial statements by November 15<sup>th</sup>. The governmentwide financial statement deadline will be December 15<sup>th</sup>. The implications of the President's Management Agenda's call for accelerated reporting deadlines and full cost information for managers is that existing processes and systems will have to evolve to meet these new goals. Financial systems will have to improve dramatically. Internal controls must improve to ensure high quality data. Data quality will have to start at the transaction level. There must be standardization of business rules, standardization in financial data, and greater use of e-commerce. Also, audit plans will have to accommodate changed expectations. Audit plans will have to be in place at the beginning of the fiscal year. Audit methods will have to consider changes in baseline systems. The challenge will be leveraging change management strategies and investments across government agencies to provide necessary tools when resources are constrained.

## Improving IT Security

*Continued from page 11*

In conclusion, ensuring effective and efficient progress in information security throughout the Federal government will require concerted efforts by senior executives, program managers, and technical specialists; cooperative efforts by executive agencies and by the central management agencies such as OMB; and sustained congressional oversight. In addition, audits of information security by agency inspectors general, GAO, and others will continue to play a key role in this monitoring and oversight process.

### Endnotes

<sup>1</sup>Computer Security: Improvements Needed to Reduce Risk to Critical Federal Operations and Assets (GAO-02-231T, November 9, 2001).

<sup>2</sup>Federal Information Security: Actions Needed to Address Widespread Weaknesses (GAO/T-AIMD-00-

## Federal Agencies Honored for Excellence in Accountability Reporting

On November 30, 2001, over 100 persons were present as the Association of Government Accountants (AGA) honored five Federal agencies with Certificates of Excellence in Accountability Reporting (CEAR). The agencies were:

- National Science Foundation
- Social Security Administration
- U.S. Department of Commerce
- U.S. Department of the Interior
- U.S. Department of Labor.

These five agencies were honored for their exceptional fiscal year 2000 accountability reports. The presentation was held at the Library of Congress.

In 1997, the U.S. Office of Management and Budget and the Chief Financial Officers (CFO) Council called for a certificate program to encourage and recognize excellence in accountability reports. The Association of Government Accountants was asked to establish the program in conjunction with the CFO Council. The goal of this awards program is to recognize Federal agencies that have achieved excellence in the preparation, issuance and timeliness of accountability reports.

AGA is a professional association devoted to meeting the continuing professional education needs of financial managers at all levels of government, the private sector, and academia. For more information on the CEAR program, go to the AGA website, [www.agacgfm.org](http://www.agacgfm.org).



*The Social Security Administration Team*



*The US Department of Labor Team*



*The National Science Foundation Team*



*The US Department of the Interior Team*



*The U.S. Department of Commerce Team*

*Continued from previous column*

135, March 29, 2000) and *Information Security: Code Red, Code Red II, and SirCam Attacks Highlight Need for Proactive Measures* (GAO-01-1073T, August 29, 2001).

<sup>3</sup>GAO-02-231T, November 9, 2001. □

# Mark Your Calendar



March 12, 2002  
JFMIP 31st  
Annual Financial  
Management Conference

## “Getting to Green in Financial Management”

More Details  
Inside this Issue!

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### Change of Address?

Write to JFMIP News at:  
1990 K Street NW  
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The JFMIP News is published quarterly by the Joint Financial Management Improvement Program. The purpose of the newsletter is to promote sharing and dissemination of current financial management information, activities and practices.

Suggestions and article submissions are encouraged and may be sent to JFMIP NEWS at the above address, fax 202/219-0549, email [doris.chew@gsa.gov](mailto:doris.chew@gsa.gov).

### Website

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